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08-22-06

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

--- In the Matter of ---

PUBLIC UTILITIES COMMISSION

HAWAIIAN ELECTRIC COMPANY, INC.
For Approval and/or Modification of Demand-
Side and Load Management Programs and
Recovery of Program Costs and DSM Utility
Incentives

DOCKET NO. 05-0069

PUBLIC UTILITIES
COMMISSION

2006 AUG 22 P 3:55

FILED

HREA RESPONSE TO

EPA COMMENTS ON DOCKET NO. 05-0069

AND

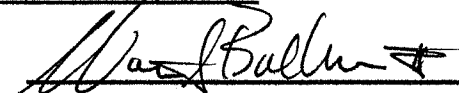
CERTIFICATE OF SERVICE

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3. Question 1 – EE Goals (page 10). In lieu of more analysis of the energy efficiency potential before setting energy efficiency goals, would the EPA agree to the following alternate approach? Assume first that the Commission set an annual amount of funds to be collected from a System or Public Benefits Charge (SBC or PBC). If the Commission then solicited competitive bids for the provision of energy efficiency (or DSM) services, the goal could be set based on the winning proposal. Specifically, the winning proposal would be the one that could provide the largest net benefit from the funds available. Furthermore, the goal (s) and the approach of the winning proposal could provide the basis for a contract between the winning bidder and the Commission for EE/DSM services.
4. Question 2 – Market Structure (page 12). HREA supports the concept of the Advisory Board as discussed by EPA, regardless of the market structure.
5. Question 3 – HECO Programs (page 18). EPA states that:
- “the proposed programs are generally well designed and are cost-effective based on HECO’s assumptions.”
- We are not sure what is meant by HECO’s assumptions, e.g., does that include all program costs, customer incentives, recovery of lost margins and shareholder incentives, or their latest proposal for incentives (discussed on pages 36 to 37)?
6. Questions 4a/b (DSM Incentive Mechanism (pages 36 to 37)). EPA does not appear to favor a “cost plus fee” mechanism for utility recovery of DSM costs, whereas that is basically the mechanism for HECO’s overall cost recovery. HREA believes this points out the difficulty inherent with tasking one entity to hand both supply and demand option. On the other hand, we believe that a 3rd party implementing DSM services would be highly motivated.

DATED: August 22, Honolulu, Hawaii



President, HREA

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